

Message Text

CONFIDENTIAL

PAGE 01 LISBON 00245 161110Z

51

ACTION EUR-12

INFO OCT-01 ISO-00 SAM-01 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-03 H-01

L-02 NSC-05 PA-01 PRS-01 SS-15 USIA-06 STR-01 /084 W

----- 050363

R 160911Z JAN 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 1445

INFO AMCONSUL OPORTO

AMCONSUL PONTA DELGADA

C O N F I D E N T I A L LISBON 245

E.O. 11652: GDS

TAGS: ECON, PO

SUBJ: FURTHER COMMENTS ON LUNDBERG'S STUDY OF
PORTUGAL'S ECONOMIC PROBLEMS

REF: (A) LISBON 21; (B) LISBON 4081 OF SEPT. 23, 1974

1. THE LUNDBERG REPORT SUMMARIZED IN REF A ACCURATELY
DESCRIBES BOTH THE SHORT-RUN "DANGER AREAS" FOR THE PORTUGUESE
ECONOMY AND ITS LONGER-TERM STRUCTURAL PROBLEMS. THE STEPS
(PARA 4 OF REF A) THAT LUNDBERG SUGGESTS TO MINIMIZE CURRENT
RISKS ARE NOT EXTREME AND IF ADOPTED COULD BE USEFUL IN THE
CURRENT SITUATION. MUCH WOULD DEPEND, HOWEVER, ON THE MANNER
OF IMPLEMENTATION, DETAILS OF WHICH ARE NOT ELABORATED IN THE
LUNDBERG PAPER.

2. IN PREPARING A YEAR-END PERSPECTIVES PAPER (AVAILABLE
SHORTLY) ON THE ECONOMY, WE HAVE BEEN STRUCK BY THE ALMOST
UNIVERSAL AGREEMENT ON THE NATURE OF PORTUGAL'S ECONOMIC
PROBLEMS. THIS IS TRUE NOT ONLY OF EARLIER ASSESSMENTS-- THE
OECD REPORT OF JULY 1974 AND OUR SEPTEMBER CABLE (REF B)--BUT
OF YEAR-END ANALYSES SUCH AS THOSE DONE BY LUNDBERG, THE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LISBON 00245 161110Z

FINANCIAL TIMES OF LONDON, TEMPO ECONOMICO (A PORTUGUESE

JOURNAL, AND THE GOP ITSELF (E.G., IN ITS 1975 BUDGET DOCUMENT).

3. MEASURES TO ATTACK THE PROBLEMS, HOWEVER, ARE MORE CONTROVERSIAL, ALTHOUGH HERE THE DIFFERENCES ARE OFTEN MORE A MATTER OF DEGREE THAN OF DIRECTION. SOCIALISTS, CENTRISTS, AND ORTHODOX COMMUNISTS, FOR EXAMPLE, AGREE WITH LUNDBERG THAT CHANGES IN THE EXISTING ECONOMIC STRUCTURE SHOULD NOT BE PRECIPITATE, THAT WITH MODIFICATIONS IT SHOULD BE MADE TO WORK AS EFFICIENTLY AS POSSIBLE, AND THAT THE PRIVATE SECTOR SHOULD BE MAINTAINED FOR THE TIME BEING. THEY DISAGREE, HOWEVER, ON HOW SEVERE AND HOW RAPID MODIFICATIONS SHOULD BE AND ON THE DEGREE TO WHICH THE PRIVATE SECTOR SHOULD NOW BE SUBORDINATED AND RESTRAINED. IT IS THIS KIND OF ISSUE THAT HAS GENERATED DIFFERENCES WITHIN THE GOP AND DELAYED PUBLICATION OF ITS INTERIM ECONOMIC PLAN (LISBON 5351).

4. ONE ASPECT OF THE LUNDBERG REPORT THAT GENERATES PARTICULAR SYMPATHY INSIDE AND OUTSIDE THE GOVERNMENT IS ITS EMPHASIS ON KEEPING EMPLOYMENT HIGH, EVEN IF THIS MEANS SOME SACRIFICE OF OTHER OBJECTIVES, SUCH AS ELIMINATING INFLATION. WE AGREE THAT MAINTAINING HIGH EMPLOYMENT IS IN THE CURRENT SITUATION ESSENTIAL TO BOTH ECONOMIC AND POLITICAL STABILITY.

5. FROM THE U.S. POINT OF VIEW WE THINK IT FORTUNATE THAT LUNDBERG HAS EMPHASIZED KEEPING THE ECONOMY BASICALLY INTACT AND TAKING NO ACTIONS THAT WOULD SEVERELY LIMIT THE OPTIONS OF A DULY ELECTED GOVERNMENT. THE FACT THAT LUNDBERG COMES FROM SWEDEN, A COUNTRY WHOSE SOCIALISM MANY SEE AS A POTENTIAL MODEL FOR PORTUGAL, GIVES HIS WORDS AN IMPACT THEY WOULD OTHERWISE NOT HAVE.
OKUN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LISBON00245
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750017-0109
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750147/aaaaboyp.tel
Line Count: 92
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 LISBON 21, 75 LISBON 4081, 75 OF SEP23, 75 1974
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 09 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 JUN 2003 by CunninFX>; APPROVED <10 JUN 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FURTHER COMMENTS ON LUNDBERG'S STUDY OF PORTUGAL'S ECONOMIC PROBLEMS
TAGS: ECON, PO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006